

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BOARD OF PATENT APPEALS AND INTERFERENCES**

In re patent application of:) Attorney Docket No.: F-764
) Customer No.: 00919
Matthew J. Campagna)
) Examiner: SHEIKH, Asfand M.
Serial No.: 10/726,252) Group Art Unit: 3627
Filed: December 1, 2003)
Confirmation # 3555) Date: September 10, 2009

Title: **SYSTEM AND METHOD FOR VENDOR MANAGED SUBSIDIZED
SUPPLY PIPELINE FOR BUSINESS CONTINUITY**

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Commissioner for Patents
Alexandria, VA 22313-1450

APPELLANT'S BRIEF ON APPEAL

Sir:

This is an appeal pursuant to 35 U.S.C. § 134 and 37 C.F.R. §§ 41.31 et seq. from the rejection of claims 1-19 of the above-identified application mailed April 13, 2009. This Brief is in furtherance of the Notice of Appeal transmitted July 10, 2009. Accordingly, this brief is timely filed. The fee for submitting this Brief is \$540.00 (37 C.F.R. § 1.17(c)). Please charge Deposit Account No. **16-1885** in the amount of \$540.00 to cover these fees. The Commissioner is hereby authorized to charge any additional fees that may be required for this appeal or to make this brief timely or credit any overpayment to Deposit Account No. **16-1885**.

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I. Real Party in Interest

The real party in interest in this appeal is Pitney Bowes Inc., a Delaware corporation, the assignee of this application.

II. Related Appeals and Interferences

There are no appeals or interferences known to Appellant, his legal representative, or the assignee that will directly affect or be directly affected by or have a bearing on the Board's decision in this appeal.

III. Status of Claims

Claims 1-19 are in the case and under final rejection of the Examiner.

Claims 1-19 are in the case and stand finally rejected under 35 U.S.C. 103(a) as allegedly rendered obvious by U.S. Patent No. 6,996,538 B2 to Lucas ("Lucas '538") in view of U.S. Patent Application Publication No. 2005/0114233A1 by Mays ("Mays '233").

Appellants hereby appeal the final rejection of claims 1-19.

IV. Status of Amendments

There are no amendments to the claims filed subsequently to the Final Office Action of April 13, 2009. Therefore, the claims set forth in Appendix A to this brief are those as set forth before the final rejection.

V. Summary of Claimed Subject Matter

Appellants' invention as presently claimed relates generally to a new and useful systems and methods for inventory management for emergency supply situations. The illustrative systems allow customers to subsidize a vendor's supply pipeline and reserve inventory for the customer's disaster and recovery requirements. Under normal conditions, items exiting the pipeline are sold to third parties, possibly at discounted prices. In the event of a disaster, the pipeline buffer equipment is guaranteed to be immediately available the customer. See Specification, ¶¶ 0001, 0003-5.

As shown in FIG. 1, the illustrative method 100 ensures that a business will have supplies available in case of an emergency such as a natural disaster.

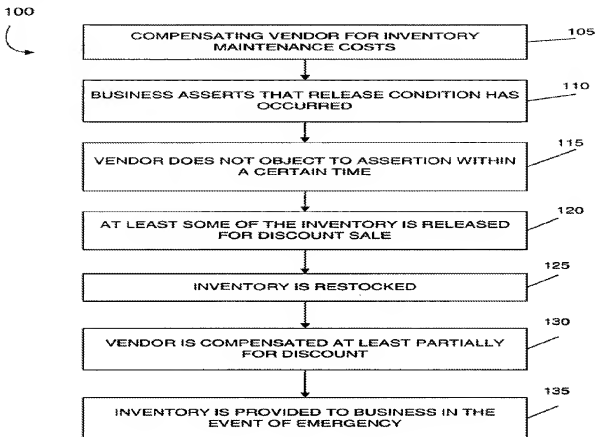


FIG 1

The illustrative supplies may have varied characteristics and include items such as personal computers, bottled water and perishable food. The vendor will maintain an inventory of the business supplies, and will be compensated 105 for doing so. The vendor and the business arrange for the supplies to be sold off at a discount, in order to restock the inventory, whenever a release condition occurs. Since the business is a paying customer of the vendor, the business should be able to have a high degree of control over when the supplies are to be sold at a discount, but at the same time the vendor should be able to dispute that the pre-established release condition has actually occurred. One convenient way to balance these interests is to only allow the supplies to be sold at a discount if the business asserts 110 that a release condition has occurred, and then the vendor will have a fixed time (e.g. a week) to object 115 to that assertion,

and otherwise the vendor will be deemed to have agreed to the assertion. If the vendor sells and immediately restocks the inventory, then the business would be under no obligation to compensate the vendor for that discount sale 120. The release condition can be that improved business supplies become available. So, every now and then, the desktop computers in the inventory will be sold at a discount, and the inventory will be restocked 125 with a better product. The business would compensate 130 the vendor for at least part of the discount. Of course, if an emergency occurs, the inventory will be provided 135 to the business. This contrasts with present circumstances in which many businesses may be prepared financially for an emergency due to insurance coverage, but at the same time would face a huge spike in prices if vendors are not prepared to immediately fill all emergency orders. Other types of release conditions are possible, such as that the business supplies have reached a particular age, or a particular percentage of shelf life, or a particular state of decay. See FIG. 1, Specification, ¶ 0011-16.

FIG 2, illustrates emergency supplies as flowing through an imaginary pipeline.

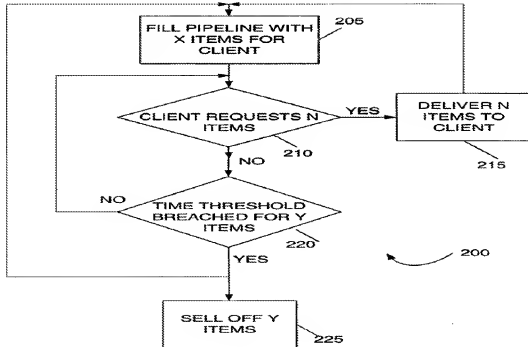


FIG 2

The pipeline is filled 205 with X items for the business (i.e. the client). The client may decide 210 to request N items, in which case those items are delivered 215 to the client, and the pipeline is subsequently filled again. However, if the client does not request items, then the items remain in the pipeline, and may be periodically checked to see if they have breached 220 a time threshold or reached some other release condition. If Y items have breached a time threshold, then they are sold off 225, optionally (probably likely) at a discount from their original price (of course $Y < X$). But, if the Y items have not breached any threshold, then again the client has opportunities to request some of those items for delivery to the client. See FIG. 2, Specification, ¶ 0017.

FIG 3 illustrates an associated inventory system 300. The business 305 looks at available products available from the vendor, and asserts 315 that a release condition has been reached, because it wants newly available products to be inserted into the inventory 325 of emergency supplies instead of old products. In such a case, the assertion is a release condition. The vendor 320 receives the assertion, and conducts a discount sale 330 to a third party 335 which makes room in the inventory for restocking. In the event of an emergency, the inventory is supplied 310 to the business 305. See FIG. 3, Specification, ¶ 0018.

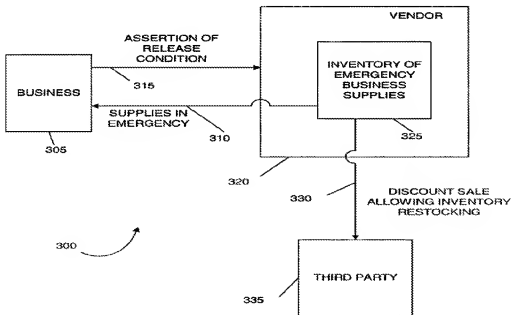


FIG 3

Independent claim 1 is shown with illustrative annotated references to the specification, reference numerals and figures:

1. A method of establishing and managing a vendor inventory of specific emergency business supplies guaranteed available for an identified company, comprising (100, FIGs. 1-3; ¶¶0011-18):
 - receiving compensation for costs of maintaining the inventory guaranteed available for the identified company (105);
 - releasing a plurality of the business supplies from the availability guarantee for sale, after the plurality of the business supplies have been in the vendor inventory for a period of time expiring when a release condition occurs (120); and
 - restocking the vendor inventory (125).

Independent claim 11 is shown with illustrative annotated references to the specification, reference numerals and figures:

11. A system for establishing and managing an inventory of specific emergency business supplies guaranteed available for an identified, comprising (300, FIGs. 1-3; ¶¶0011-18):
 - a system (320) for obtaining a release condition indication;
 - a system (320) for receiving allocation instructions and compensation from the company for maintaining the inventory of emergency business supplies as guaranteed available for the identified company; and
 - a vendor inventory system (325) that maintains the inventory of emergency business supplies, wherein the inventory of emergency business supplies is allocated to the company in response to receiving the allocation instructions and the compensation from the company; and
 - wherein the vendor inventory system (325) at least partially releases the allocated inventory for sale after the release indication is obtained.

Additional features of the invention are discussed below in the Argument section of this Brief. This summary is not intended to supplant the description of the claimed subject matter as provided in the claims as recited in Appendix A, as understood in light of the entire specification.

VI. Grounds of Rejection to Be Reviewed on Appeal

A. Whether Claims 1-19 are unpatentable under 35 U.S.C. 103(a) as allegedly rendered obvious by U.S. Patent No. 6,996,538 B2 to Lucas ("Lucas '538") in view of U.S. Patent Application Publication No. 2005/0114233A1 by Mays ("Mays '233").

VII. Argument

As discussed in detail below, Appellant respectfully submits that the final rejection of claims 1-19 does not meet the threshold burden of presenting a prima facie case of unpatentability. Accordingly, Appellant is entitled to grant of those claims. In re Oetiker, 24 U.S.P.Q.2d 1443, 1444 (Fed. Cir. 1992).

A Claims 1-19 are not Unpatentable under 35 U.S.C. § 103(a)

Claims 1-19 are in the case and stand finally rejected under 35 U.S.C. 103(a) as allegedly rendered obvious by U.S. Patent No. 6,996,538 B2 to Lucas ("Lucas '538") in view of U.S. Patent Application Publication No. 2005/0114233A1 by Mays ("Mays '233").

Appellant respectfully disagrees with the rejection and urge its reversal for at least the reasons stated below.

In rejecting a claim under 35 U.S.C. §103, the Examiner is charged with the initial burden for providing a factual basis to support the obviousness conclusion. *In re Warner*, 379 F.2d 1011, 154 USPQ 173 (CCPA 1967); *In re Lunsford*, 375 F.2d 385, 148 USPQ 721 (CCPA 1966); *In re Freed*, 425 F.2d 785, 165 USPQ 570 (CCPA 1970). The Examiner is also required to explain how and why one having ordinary skill in the art would have been led to modify an applied reference and/or combine applied references to arrive at the claimed invention. *In re Ochiai*, 37 USPQ2d 1127 (Fed. Cir. 1995); *In re Deuel*, 51 F.3d 1552, 34 USPQ 1210 (Fed. Cir. 1995); *In re Fritch*, 972 F.2d

1260, 23 USPQ 1780 (Fed. Cir. 1992); *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 5 USPQ2d 1434 (Fed. Cir. 1988). See *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. ___, 127 S.Ct. 1727, 1735 (2007) ("[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness." *Id.* (quoting Kahn, 441 F.3d at 988)). See also, *Takeda Chem. Indus., Ltd. v. Alphapharm Pty., Ltd.*, 492 F.3d 1350, 1357 (Fed. Cir. 2007) (To avoid improper use of hindsight, the Examiner must articulate "a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does" in an obviousness determination. (quoting *KSR*, 127 S. Ct. at 1731)).

See also, *In re Kahn*, 441 F.3d 977 (Fed. Cir. 2006) (Most inventions arise from a combination of old elements and each element may often be found in the prior art. However, mere identification in the prior art of each element is insufficient to defeat the patentability of the combined subject matter as a whole). Additionally, if the references when combined suggest an inoperative device, the Examiner may not use the references to establish a prima facie rejection. *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339 (Fed. Cir. 2001) (if references taken in combination would produce a "seemingly inoperative device," then such references teach away from the combination and cannot serve as predicates for a prima facie case of obviousness). Moreover, here, the cited references expressly teach away from the combination urged by the examiner and thus the combination is improper. See e.g., MPEP 2145 X.D, citing *In re Grasselli*, 713 F.2d 731, 743 (Fed. Cir. 1983).

Initially, Appellant notes that the Mays '233 reference was first applied by the Examiner in the April 13, 2009 Final Office Action. The Mays '233 reference was filed on November 20, 2003, and thus has an effective prior art date less than two weeks earlier than the December 1, 2003 filing date of the present application. Appellant does not believe the combination establishes a prima facie obviousness rejection. However, Appellant can prove conception and diligence to antedate the November 20, 2003

effective date of the reference. Accordingly, Appellant traverses the rejection based upon that reference herein, but also reserves the right to antedate the Mays '233 reference if the Examiner maintains the rejection.

Additionally, the Examiner apparently improperly applies a broadest reasonable interpretation standard to the prior art. On page 2 of the Final Office Action, the Examiner discusses Appellants prior arguments with regard to claims 3, 4 and 6 relating to the claim terms "a release condition" or releasing inventory" and discusses the Lucas '538 reference. The Examiner then apparently suggests that the description of Lucas '538 at Col. 4, lines 37-51 could be expanded under a "broadest reasonable interpretation." The broadest reasonable interpretation standard is often articulated as a basis for interpreting claim elements, but cannot be used to expand the teachings of the prior art. Similarly, the Examiner improperly used the same technique in response to Appellant's earlier arguments regarding claim 9 and the term "compensation for a discount sale." The unfounded expansion of the teaching of the prior art described are improper and the rejections should be reversed on that basis alone.

Independent Claim 1 recites:

1. A method of establishing and managing a vendor inventory of specific emergency business supplies guaranteed available for an identified company, comprising:
 - receiving compensation for costs of maintaining the inventory guaranteed available for the identified company;
 - releasing a plurality of the business supplies from the availability guarantee for sale, after the plurality of the business supplies have been in the vendor inventory for a period of time expiring when a release condition occurs; and
 - restocking the vendor inventory.(emphasis added).

Independent Claim 11 recites:

11. A system for establishing and managing an inventory of specific emergency business supplies guaranteed available for an identified, comprising:
 - a system for obtaining a release condition indication;
 - a system for receiving allocation instructions and compensation from the company for maintaining the inventory of emergency business supplies as guaranteed available for the identified company; and

a vendor inventory system that maintains the inventory of emergency business supplies, wherein the inventory of emergency business supplies is allocated to the company in response to receiving the allocation instructions and the compensation from the company; and wherein the vendor inventory system at least partially releases the allocated inventory for sale after the release indication is obtained.
(emphasis added).

On page 7 of the Final Office Action, the Examiner rejects system claims 11-19 on similar grounds as provided for claims 1-10. Appellant disputes the rejection for at least the same reasons as described herein.

With reference to independent claim 1 (and similarly claim 11), the Examiner suggests on page 3 of the Final Office Action that the Lucas '538 reference teaches managing a vendor inventory of "emergency" business supplies. However, Appellant is unable to find the use of the term emergency anywhere in the cited reference. The Examiner then suggests that the cited Lucas '538 reference teaches "releasing a plurality of the business supplies for sale, after the plurality of the business supplies have been in the vendor inventory for a period of time expiring when a release condition occurs." The cited portion of Lucas '538 at Col. 4, lines 36-51 is reproduced here:

Although purchasing is a large part of inventory maintenance, a preferred embodiment of the present invention may also facilitate communication between customers, provide a source of information dissemination, and encourage customer interaction. The present invention may facilitate customer communication by allowing customers to resell products, equipment, or excess inventory to other businesses. The present invention may allow information dissemination by providing an up to date catalog of available equipment and other inventory from which a customer may order. The present invention may facilitate customer communication by allowing managers and customers to author and distribute articles describing new rules, regulations, procedures, revenue generation prospects, or other information of interest to other customers.

(emphasis added). Contrary to the Examiner's assertion, it is clear that the cited portions of the reference describes only an information exchange and brokerage service and has no teaching or suggestion of releasing a plurality of business supplies for sale after the supplies have been in inventory and has no teaching or suggestion of an

inventory release condition. Moreover, the cited portions of the reference do not appear to teach or suggest compensation for costs of maintaining an inventory (c1, 45 – C2, 20) or restocking vendor inventory (C10, 46-52) as suggested by the Examiner.

The Examiner admits that Lucas '538 does not disclose "guaranteed available inventory for an identified company." The Examiner then suggests that Mays '233 teaches that a given vendor will guarantee some form of available inventory for a given customer. Initially, Appellant will provide proof to antedate the reference if required. However, such proof should not be required because the reference does not teach the material suggested by the Examiner. The Examiner has again impermissibly expanded the description of the cited reference as shown below in Mays '233, paragraph 0047:

[0047] In the case of UPC coded parts, electronic monitoring of inventory levels of certain parts from certain vendors can be provided. Often a supply house will guarantee to inventory specific items for certain customers. All participating supply houses and manufacturers will, of course, have their inventory entered in the program. When an MIH identifies a supplier as the source of a minimum guaranteed inventory of a certain UPC, the level of inventory of that item held by that supplier appears on the control page as shown on FIG. 3. The level of inventory for each specified part is shown both for that day and for the minimum level held for the past year 36. This assures the MIH that the supply house is now stocking this item at or above the minimum level and has historically been doing so. IOL electronically polls the inventory of all participating suppliers and manufacturers at the end of each business day to maintain the database for this report.

The reference describes stocking particular desired parts and keeping an overall minimum inventory, but does not apparently teach or suggest guaranteeing any particular inventory for a particular customer as suggested by the Examiner. Accordingly, the rejection is in error and should be reversed.

With regard to claim 3, the Examiner states that "customer chooses" is a release condition, yet the cited passage apparently deals only with adding inventory (Lucas '538, C10, 46-52).

With regard to claim 4, the cited reference does not teach or suggest releasing inventory at all. (Lucas '538, C7, 52-65).

With regard to claim 5, the cited reference does not teach or suggest releasing inventory at all. (Lucas '538, C4, 36-51).

On page 6 of the Final Office Action, the Examiner improperly applies Official Notice for the first time in a Final Action. Appellant disputes the statement of Official notice as Appellant is not readily aware that such is true. Appellant requests a reference. With regard to claims 7 and 15, the Examiner allegedly applies Official Notice that "it is old and well known in the inventory arts to have a VMI receive inventory and own the for a period of time before the inventory is re-sold to the business in which the VMI would still hold the inventory (e.g. a manufacturer from over seas sells inventory to a distributor in a local vicinity in which local businesses the buy inventory from the distributor)." Appellant disputes the statement of Official Notice and requests a reference. In relying on Official Notice, the MPEP instructs that only "notorious" facts used to "fill the gaps" in dependent claims is appropriate and its use should be rare at final rejection or later. See MPEP 2144.03.

Dependent claims 2-10 are patentable for at least the same reasons described above with reference to the associated independent claim and any intervening claims.

Independent claim 11 and dependent claims 12 -19 were generally not separately addressed by the Examiner as noted on page 7 of the Final Office Action wherein the Examiner applied the rejection of claims 1-10. Accordingly, Appellant respectfully submits that Independent claim 11 and dependent claims 12-19 are patentable for at least the same reasons described above with reference to independent claim 1, any associated claim depending therefore and any intervening claims.

Thus, the Examiner has not established a prima facie obviousness rejection. Accordingly, Appellant respectfully submits that the rejection is clearly in error and should be reversed.

IX. Conclusion

In Conclusion, Appellant respectfully submits that the final rejection of claims 1-19 is in error for at least the reasons given above and should, therefore, be reversed.

Respectfully submitted,

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VIII – CLAIMS APPENDIX
APPENDIX A

1. A method of establishing and managing a vendor inventory of specific emergency business supplies guaranteed available for an identified company, comprising:

receiving compensation for costs of maintaining the inventory guaranteed available for the identified company;

releasing a plurality of the business supplies from the availability guarantee for sale, after the plurality of the business supplies have been in the vendor inventory for a period of time expiring when a release condition occurs; and

restocking the vendor inventory.

2. The method of claim 1, wherein the sale is at a discount and further comprising:

receiving compensation from the company relating to the discount sale.

3. The method of claim 2, wherein if the company provides an assertion to the vendor that the release condition has occurred or will have occurred at a specific time, then the vendor will have only a first period of time to object to that assertion, unless the company extends the first period.

4. The method of claim 2, wherein the release condition is that improved business supplies become available for insertion into the vendor inventory.

5. The method of claim 2, wherein the release condition is that the plurality of the business supplies have reached a particular age or percentage of shelf life.

6. The method of claim 2, wherein the discount sale is to the company.

7. The method of claim 2, wherein the business supplies in the vendor inventory are owned by the vendor for at least a first period of time that the business supplies are in vendor inventory and owned by the company instead of the vendor for at least a second subsequent period of time that the business supplies are in vendor inventory.

8. The method of claim 6, wherein the company sells at least some of the business supplies to a third party after the discount sale.

9. The method of claim 6, wherein the receipt of compensation for the inventory costs, and the receipt of compensation for the discount sale are performed substantially simultaneously with the discount sale.

10. The method of claim 2, further comprising the step of providing at least a portion of the business supplies to the company routinely as needed by the company, prior to releasing the business supplies for the discount sale.

11. A system for establishing and managing an inventory of specific emergency business supplies guaranteed available for an identified, comprising:

a system for obtaining a release condition indication;

a system for receiving allocation instructions and compensation from the company for maintaining the inventory of emergency business supplies as guaranteed available for the identified company; and

a vendor inventory system that maintains the inventory of emergency business supplies, wherein the inventory of emergency business supplies is allocated to the company in response to receiving the allocation instructions and the compensation from the company; and

wherein the vendor inventory system at least partially releases the allocated inventory for sale after the release indication is obtained.

12. The system of claim 11, further comprising:

a sales system for selling the released inventory at a discount, wherein, the inventory of emergency business supplies is restocked after the discount sale.

13. The system of claim 11, wherein the release condition is obtained when at least part of the business supplies have reached at least one of a particular age, a particular time in inventory, or a percentage of shelf.

14. The system of claim 11, wherein the release condition is obtained when improved business supplies become available for insertion into the vendor inventory.

15. The system of claim 11, wherein the business supplies in the vendor inventory are owned by the vendor for at least a first period of time that the business supplies are in vendor inventory and owned by the company instead of the vendor, at least temporarily at a time subsequent to the first period.

16. The system of claim 11, wherein if the company provides an assertion to the vendor that the release condition has occurred or will have occurred at a specific time, then the vendor will have a first period to object to that assertion.

17. The system of claim 12, wherein,
the discount sale is to the company.

18. The system of claim 17, wherein the sales system processes a second sale of the released inventory to a third party after the discount sale.

19. The system of claim 16, wherein the company may extend the first period.

Appendix IX – Evidence Appendix

None

Appendix X – Related Proceedings Appendix

None